

## Message Text

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11

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 IO-14 SIL-01 SCI-06 DRC-01 /192 W

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R 042021Z APR 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 293

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L PANAMA 1969

EO 11652: GDS

TAGS: ETDR, PN

SUBJ: BANANA EXPORT TAX

REF: PANAMA 1893

SUMMARY: LOCAL SUBSIDIARY OF UNITED BRANDS NOTIFIED BY GOP THAT  
NEW BANANA TAX EFFECTIVE APRIL 1, 1974. COMPANY PLANS TO CONTEST  
TAX IN COURTS AND WILL TRY TO HAVE INDEPENDENT PRODUCERS ABSORB  
TAX ON THEIR PRODUCTION (ABOUT 25 PERCENT OF EXPORTS). STRATEGY  
SEEMS TO BE TO AVOID MAKING ANY PAYMENTS AS LONG AS  
POSSIBLE IN HOPE THAT TAX SCHEME WILL EVENTUALLY FALL APART  
THROUGH LACK OF COOPERATION AMONG BANANA EXPORTING COUNTRIES.  
END SUMMARY.

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1. ON APRIL 3, 1974, EMBOFF DISCUSSED LATEST DEVELOPMENTS ON BANANA TAX WITH OFFICIAL OF CHIRIQUI LAND COMPANY, SUBSIDIARY OF UNITED BRANDS. HE STATED THAT, IMMEDIATELY AFTER LEGISLATIVE COUNCIL RATIFIED TAX, MINISTER OF COMMERCE AND INDUSTRIES MANFREDO SENT LETTER TO COMPANY STATING THAT TAX OF 2 1/2 CENTS PER POUND WOULD BE EFFECTIVE APRIL 1, 1974. COMPANY PLANS TO CONTINUE BANANA SHIPMENTS WHILE PAYING EXPORT TAX AT FORMER RATE OF 2 CENTS PER STEM UNTIL GOVERNMENT MAKES DEMAND FOR COMPANY TO PAY FOR DIFFERENCE. AT THAT TIME COMPANY INTENDS TO CONTEST THE TAX MEASURE IN THE PANAMA COURTS AS A VIOLATION OF COMPANY'S CONTRACT WITH THE GOVERNMENT, ORIGINALLY DRAWN UP IN 1927 AND LAST AMENDED IN 1954.

2. COMPANY OFFICIALS ALSO STATED THAT ON APRIL 2, 1974, CHIRIQUI LAND COMPANY PROVIDED NOTIFICATION IN WRITING TO INDEPENDENT BANANA PRODUCERS THAT THEIR CONTRACT TO SELL BANANAS TO CHIRIQUI LAND COMPANY REQUIRES THEM (THE INDEPENDENT PRODUCERS) TO PAY ANY TAXES SUBSEQUENTLY IMPOSED ON BANANAS. SINCE INDEPENDENT PRODUCERS, WHICH ACCOUNT FOR ABOUT 25 PERCENT OF BANANA EXPORTS, WOULD CONTINUE TO RECEIVE SALE PRICE OF 85 CENTS PER BOX AND THEN PAY A DOLLAR IN TAXES, THIS WOULD PLACE THEM IN IMPOSSIBLE POSITION. COMPANY ANTICIPATES UNFAVORABLE REACTION IN LOCAL PRESS.

COMMENT: UP TO NOW, UNITED BRANDS HAS BEEN PORTRAYED IN PRESS AS COOPERATING WITH TAX SCHEME TO RAISE PRICE OF BANANAS. COMPANY'S PRESENT STRATEGY SEEMS TO BE TO AVOID MAKING ANY NEW PAYMENTS FOR AS LONG AS POSSIBLE IN THE EXPECTATION THAT THE COOPERATIVE ARRANGEMENTS AGREED UPON AMONG BANANA EXPORTING COUNTRIES WILL EVENTUALLY FALL APART AS SEVERAL OF THE COUNTRIES ALREADY APPEAR TO HAVE SECOND THOUGHTS.  
DANIELS

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## Message Attributes

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**To:** STATE  
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